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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2006 question paper

0455 ECONOMICS

0455/06 Paper 6, maximum raw mark 40

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All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

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1 **(a)** 5m = 20%. Profits therefore 25m. **[2]**

(b) Payment for risk taking, for organising the other factors, attracts funds for future investment, ensures continuity, etc. **[4]**

(c) 2 marks for diagram (1 for labels, 1 for demand shift), 4 marks for explanation with reference to extract. **[6]**

(d) Information given: reason for concern is that future profits are likely to be lower because of loss of TV income and no income from large sale of players. Also have large expenditure commitment. Payments to shareholders decreased, value of shares decreased, harm to reputation, lack of investment funds to expand ground capacity and buy new players.

However, the club still made £25m. Need to consider whether 2002/3 was an abnormal year (sale of Beckham might indicate this), and how profits in other years compared with the 2003/4 figure. Max. 5 marks for a one-sided discussion. **[8]**

(e) Reduce costs – either fixed or variable; Increase revenues – possibly by raising prices. Increasing demand through advertising. Diversification. Illustrative examples can be given.
Up to 4 marks for a list. **[8]**

2 **(a)** Explanation of role of bank in determining interest rates, influencing and implementing government policy, being government's bank, controlling money supply. **[4]**

(b) Candidates might not know multiplier but should be able to explain how a fall in spending means less income for others, which could, through reduced sales, result in decreased employment. Decreased employment might then result in further reductions in sales. **[4]**

(c) Rise/fall in interest rates makes saving more/less attractive, makes borrowing less/more attractive. If there is reduced/increased borrowing for housing then there would be lower/higher demand for house purchase, this would mean that price of housing is likely to fall/rise. Could show this with a demand and supply diagram, for houses with a shift in demand. **[4]**

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